

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1555

January 21, 2020

SUMMARY OF BILL: Enacts the *Peer-to-Peer Car Sharing Program Act* by regulating peer-to-peer (P2P) car sharing activity in the state. Establishes insurance requirements and liabilities for both P2P car sharing programs and owners of shared vehicles. Authorizes commercial airports to conduct P2P car sharing on airport property.

Establishes that P2P car sharing programs are considered as rental of motor vehicles for the purpose of collection of state and local sales and use tax, and surcharges or taxes on gross proceeds from rental car agreements.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Exceeds \$195,900/FY20-21 and Subsequent Years

Increase Local Revenue – Exceeds \$85,500/FY20-21 and Subsequent Years

Assumptions:

- Based on information provided by the Department of Revenue (DOR), the prior three-year average of total revenue from the 3 percent surcharge on rental car agreements authorized by Tenn. Code Ann. § 67-4-1901 is estimated to be \$12,056,559.
- The exact number of car sharing programs operating in Tennessee is unknown; however, it is estimated that taxing the additional businesses would increase revenue by at least half a percent of total rental car revenue.
- An estimated recurring increase of state rental surcharge revenue exceeding \$60,283 ($\$12,056,559 \times 0.5\%$).
- Pursuant to Tenn. Code Ann. § 67-4-1907 and § 67-4-1908, Shelby County is authorized to levy a two percent surcharge on the gross proceeds derived from the lease or rental of certain motor vehicles and Davidson County is authorized to levy a surcharge at the rate of one percent. Both counties currently levy such surcharges.
- Taxable sales statewide are estimated to exceed \$2,009,433 ($\$60,283 / 3.0\%$).
- An estimated 50 percent of statewide taxable sales to be collected in Shelby County and Davidson County.
- A recurring increase in local gross proceeds surcharge revenue is estimated to exceed \$30,142 [$(\$2,009,433 \times 50.0\%) \times (2.0\% + 1.0\%)$].

- Pursuant to Tenn. Code Ann. § 67-4-1903, a credit is allowed against the surcharge or tax collected for county wheel taxes, municipal fees, and fees for registration, title, data processing and transaction and clerk's fees for issuance of documents.
- It is assumed that the estimated recurring increases in state and local surcharge revenue account for any such credits.
- The proposed legislation subjects the rental of a motor vehicle by an entity engaged in P2P car sharing to the state and local sales and use tax.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring increase in state sales tax revenue is estimated to exceed \$135,572 $[(\$2,009,433 \times 7.0\%) - (\$2,009,433 \times 7.0\% \times 3.617\%)]$.
- A recurring increase in local sales tax revenue is estimated to exceed \$55,324 $[(\$2,009,433 \times 2.5\%) + (\$2,009,433 \times 7.0\% \times 3.617\%)]$.
- An estimated total recurring increase in state revenue exceeding \$195,855 (\$60,283 rental surcharge + \$135,572 sales tax), beginning in FY20-21.
- An estimated total recurring increase in local revenue exceeding \$85,466 (\$30,142 gross proceeds surcharge + \$55,324 sales tax), beginning in FY20-21.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumptions:

- P2P car sharing programs will adhere to the proposed legislation.
- State and local sales and use tax, a three percent state rental surcharge, and a cumulative three percent local tax on gross proceeds from car sharing agreements are estimated to exceed \$281,321 (\$195,855 + \$85,466).
- P2P car sharing programs will pass these additional taxes and surcharges onto consumers; therefore, any impact to business expenditures or revenue or jobs in the state are considered not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/agr